



**EDP Renewables (UK) Ltd**  
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## **EDP Renewables UK Ltd**

EDP Renewables (“EDPR”) is a leading renewable energy company headquartered in Madrid, Spain that develops, manages and operates power plants that generate electricity using renewable energy sources, mainly wind and solar. EDPR was incorporated in 2007 with the clear objective of supplying a growing number of geographies with low carbon and renewable energy, EDPR has quickly grown to become a global company and a leader in the market.

EDPR operates in the most attractive markets and is continuously expanding its business to new areas of the globe. EDPR’s business plan aims to increase its production capacity considering the best investment opportunities. This strategy has allowed EDPR to be among world’s largest companies in terms of production in the wind sector, with a global portfolio of 11 GW of installed capacity<sup>1</sup>. EDPR is currently developing onshore and offshore wind and solar projects in nine European Countries (Spain, Portugal, France, Belgium, Italy, Poland, Romania, Greece and UK), as well as the United States, Brazil, Mexico and Canada.

EDPR entered the UK market in 2010 and is focusing its offshore wind energy development activities from its Edinburgh office. EDPR UK manages all worldwide offshore operations. At present, EDPR has interest in UK offshore wind Zone 1 (Moray Firth) of the Round 3 Crown Estate Tender, part of which<sup>2</sup> was awarded by the UK’s Department for Business, Energy & Industrial Strategy (“BEIS”) with a 15-year Contract for Difference (CfD) for the delivery of 950 MW of offshore wind generation in 2017’s Allocation Round. In addition, EDPR has a strategic partnership with Engie in France to develop offshore wind projects as part of the French Round 2 tender.

EDPR is pleased to submit this response to the Ofgem’s consultation concerning the **“Getting more out of our electricity networks by reforming access and forward-looking charging arrangements”**, issued on 23 July 2018 and due on 18 September 2018.

Questions or comments can be directed to:

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<sup>1</sup> As of Jun-18: Installed capacity includes EDPR’s Equity consolidated: 152 MW in Spain, 179 MW in US; inc. 145 MW of Solar PV

<sup>2</sup> Through Moray Offshore Windfarm (East) Limited (“MOWEL”)

# Getting more out of our electricity networks by reforming access and forward-looking charging arrangements

**Question 1: Do you agree with the case for change as set out in chapter 2? Please give reasons for your response, and include evidence to support this where possible.**

EDPR agree that there has been significant market evolution within the distribution network due to embedded generation, however the proposal puts forward changes across both the transmission and distribution networks which appear disproportionate to the level of market evolution and are likely to impact renewable generators significantly more than fuelled generators. Not only does this not align with Government's renewable energy targets but Ofgem should also not underestimate the potential increases to customer bills should investor confidence in the stability of the UK energy market decline as a result of investors requiring higher returns on investments to compensate for increased risk.

As part of our investment in the Moray East project we have experienced first-hand the difficulties of forecasting TNUoS charges against the backdrop of continued uncertainty surrounding the method of calculation and potential future volatility. Potential investors are already sensitive to the impact and risk associated with TNUoS, with recent changes to TNUoS charges already having a significant impact on the cost effectiveness of power projects in low demand zones. Whilst locational signals are important for incentivising efficient network growth, Ofgem should consider that renewable energy generation projects are significantly more constrained in terms of location than fuelled technology generators. This is particularly true for offshore wind for obvious reasons. As a result renewable projects suffer the consequences of locational pricing signals without the means to response. This includes existing projects suffering the impact of the introduction of new pricing signals, having made siting decisions based on older locational signals.

As mentioned above, the overall impact of declining investor confidence is increasing the cost of energy to consumers. The increases to consumer bills occurs in a number of ways, the most relevant to offshore wind projects being increased strike prices within future Contracts for Difference rounds as investors require a higher return on investment to mitigate the potential risks arising from an uncertain regulatory regime. Whilst we recognise that from time to time regulatory change is required, Ofgem should ensure that investors feel that changes are predictable and increase the

certainty of future charges enabling forecasts to become more reliable and boosting investor confidence in the market wherever possible.

**Question 2: Do you agree with our proposal that access rights should be reviewed, with the aim to improve their definition and choice? Please provide reasons for your response and, where possible, evidence to support your views.**

The provision of access rights that guarantee generation projects access to the system for the entirety of a project's lifetime is crucial to ensure the continued investment into offshore wind. This access must be stable and granted with predictable charges and clear guidance on actual network availability. Large generators must continue to gain access to the transmission network through 'Connect and Manage' and continue to have priority over smaller generators.

**Question 3: Specifically, do you have views on whether options should be developed in the following areas as part of a review? Please give reasons for your response, and where possible, please provide evidence to support your views:**

Please see the answer to Question 2 above. Large generators must not be adversely impacted as a result of any changes to establishing clearer rights for distribution users.

- a) **Establishing a clear access limit for small users, with greater choice of options (as considered under b) and c) below) above a core threshold – do you agree with our proposal in paragraphs 3.5-3.10 that this should be considered? Do you have views on how a core threshold could be set?**  
N/A
- b) **Firm/non-firm and time-profiled access – do you agree with our proposal outlined in paragraphs 3.15-3.21 that these options should be developed?**  
N/A
- c) **Duration and depth of access, discussed in paragraph 3.25-3.32 - would these options be feasible and beneficial?**  
N/A  
**At transmission or distribution in particular, or are both equally important – as discussed in this chapter?**  
N/A

**Question 4: Do you agree with the key links between access and charging we have identified in table 1? Why or why not? Do you think there are other key links we have not identified? Where possible, please provide evidence to support your views.**

N/A

**Question 5: Do you agree with our proposal that targeted areas of allocation of access should be reviewed? Please give any specific views on the areas below, together with reasons for your response. Where possible, please provide evidence to support your views:**

- a) **Improved queue management as the priority area for improving initial allocation of access, as outlined in paragraphs 3.41-3.44?**

N/A

- b) **Not to consider the potential role of auctions for initial allocation of access as part of a review at this time, as discussed in paragraph 3.44?**

EDPR agree with Ofgem's stance that auctions are not appropriate for the initial allocation of network access. Auctions add a considerable amount of complexity into the market. Considering that many large renewable generators are already required to enter into the CfD auction to gain access to Government subsidy, further auctions for network capacity would add additional unnecessary complication and introduce risk to projects which would be reflected in cost of energy.

- c) **To review the areas outlined in paragraphs 3.45-3.48 to support re-allocation of access?**

N/A

**Question 6: Do you agree that a comprehensive review of forward-looking DUoS charging methodologies, as outlined in paragraphs 4.3-4.7, should be undertaken? Please provide reasons for your response and, where possible, evidence to support your position.**

N/A

**Question 7: Do you agree that the distribution connection charging boundary should be reviewed, but not the transmission connection boundary? Please provide reasons for your response and, where possible, evidence to support your position.**

**Question 8: Do you agree that the basis of forward-looking TNUoS charging should be reviewed in targeted areas? If you have views on whether we should review the following specific areas please also provide these:**

- a) **Do you agree that forward-looking TNUoS charges for small distributed generation (DG) should be reviewed, as outlined in paragraphs 4.19-4.23?**

N/A

- b) **Do you consider that forward-looking TNUoS charges for demand should be reviewed, as outlined in paragraphs 4.24-4.27? Please provide reasons for your response and, where possible, evidence to support your position.**

N/A

**Question 9: Do you agree that a broader review of forward-looking TNUoS charges, or the socialisation of Connect and Manage costs through BSUoS at this time, should not be prioritised**

**for review? Please provide reasons for your response and, where possible, evidence to support your position.**

Due to the complications arising from the review of TNUoS and BSUoS charging EDPR feel that Ofgem would be better to target these areas as part of a specific review as opposed to including it in a primarily distribution driven network review. Changes of this nature can often have unintended consequences particularly if a charging review has a broad scope.

**Question 10: Do you agree that there would be value in further work in assessing options to make BSUoS more cost-reflective, and if so, that an ESO-led industry taskforce would be the best way to take this forward?**

The development of large generation projects, such as offshore wind farms, occur over a significant period of time. Decisions on location will have been made many years prior to the construction of a project and will be made using locational decisions available at the time of the decision. Whilst EDPR understands that locational signals are required to incentivise investment in generation facilities in the most economically efficient areas, subsequently imposing signals retrospectively that projects can't respond to is unfair and affects investor confidence. TNUoS charges are the main locational signal to the industry and for the time being should remain so. BSUoS charges are for the recovery of significantly different network costs; balancing costs which include costs incurred for constraint management. The introduction of a more cost-reflective BSUoS charge would ultimately lead to the introduction of a locational element to the charge. Given that network constraints are managed by the network owner, any locational signals Ofgem envisaged providing from the introduction of a locational element would be diminished by the likelihood of network upgrades occurring in any given location. Any network upgrades that occur between a generator making a location decision and the commissioning of the Project would impact the level of constraint on the network and presumably the charges incurred by a generator. Generators would therefore be at the mercy of the network owner. This is likely to have the unintended effect of increasing investor concerns over the uncertainty of future charges impacting market confidence rather than providing any meaningful locational signals. EDPR do not feel that there is any value in further work on assessing BSUoS at a time where there is already significant potential change in the market.

**Question 11: What are your views on whether Ofgem or the industry should lead the review of different areas? Please specify which of SCR scope options A-C you favour, or describe your alternative proposal if applicable. Please give reasons for your view.**

EDPR considers that the scope of the review should remain narrow. Regulatory changes can have a significant impact on investor confidence specifically when large reviews are undertaken. Ofgem would be better to focus on a targeted review of the distribution network before reviewing the transmission network separately.

**Question 12: Do you agree with our proposal to launch an 'Option 1' SCR for areas of review that we lead on? Please give reasons for your view.**

N/A

**Question 13: Do you agree with the introduction of a licence condition on the basis described in paragraphs 5.11 and 5.12 and Appendix 5? Why or why not? Do you have any comments on the key elements set out in table 7 of Appendix 5a, or consider there are any other key elements which should be included? Please give reasons for your view.**

N/A

**Question 14: Do you have any comments on the draft wording of the outline licence condition included at Appendix 5b? Please give reasons for your view.**

N/A

**Question 15: What are your views on our indicative timelines? Do you foresee any potential challenges to, or implications of, the proposed timelines and how could these be mitigated?**

N/A

**Question 16: What are your views on our proposals for coordinating and engaging stakeholders in this work?**

N/A